

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER)
COMPANY TO AMEND ITS DEMAND-SIDE)
MANAGEMENT PROGRAM AND FOR)
AUTHORITY TO IMPLEMENT A TARIFF TO) CASE NO. 2012-00367
RECOVER COSTS AND NET LOST)
REVENUES AND TO RECEIVE)
INCENTIVES ASSOCIATED WITH THE)
IMPLEMENTATION OF THE PROGRAMS)

COMMISSION STAFF'S FIRST INFORMATION REQUEST TO
KENTUCKY POWER COMPANY

Kentucky Power Company ("Kentucky Power"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before October 11, 2012. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky Power shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Kentucky Power fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the Joint Application (“Application”) cover letter (“Letter”), page 2, which states, “[t]he forecasted participant levels for the Targeted Energy Efficiency program were reduced because of uncertainty in Community Action funding.”

a. Explain the reasons for the uncertainty surrounding the Community Action funding.

b. Provide the actual level of Community Action and Company funding for calendar years 2010 and 2011 and the first half of 2012, and the projected funding for the second half of 2012 and calendar years 2013 and 2014.

2. Refer to the Application Letter, page 2, which states, “[f]orecasted participant levels for resistance heat replacement in the High Efficiency Heat Pump program were reduced slightly to reflect customer response to the program for the period January through June 2012.” Explain whether there were any other programs

that did not meet participation or program expenditure goals due to customer response to the program, for the period January through June 2012, that were not reduced.

3. Refer to the Application Letter, page 3, which states, “[a]s part of the program extension, the Company requests that the Commission approve the proposed revision to the existing Tariff R.C.L.M. to continue the program operation through 2013.”

a. Refer to the proposed Tariff R.C.L.M. (Pilot Residential and Small Commercial Load Management), Availability of Service, which states, “[a]vailability is limited to the first 200 residential and 25 small commercial customers applying for service under this tariff or until 450 load control devices have been installed.” Also refer to Tariff R.C.L.M. (Pilot Residential and Small Commercial Load Management), in Case No. 2010-00198,¹ dated October 27, 2010, Availability of Service, which states, “[a]vailability is limited to the first 1,000 residential and 100 small commercial customers applying for service under this tariff or until 2,200 load control devices have been installed.” Explain why the availability has been revised from the first 1,000 residential to the first 200 residential customers, and from the first 100 small commercial customers to the first 25 small customers applying for service under this tariff, or until from 2,200 load control devices to 450 load control devices have been installed.

b. Refer to the proposed Tariff R.C.L.M. (Pilot Residential and Small Commercial Load Management), Availability of Service, which states, “[t]his tariff will be in effect once the Company has successfully launched its Residential and Small Commercial Load Management Pilot program and will continue through December 31,

¹ Case No. 2010-00198, Joint Application Pursuant to 1994 House Bill No. 501 for the Approval of Kentucky Power Company Collaborative Demand-Side Management Programs and for Authority to Recover Costs, Net Lost Revenues and Receive Incentives Associated with the Implementation of One New Combined Residential/Commercial and One Commercial Demand-Side Management Program Beginning August 2, 2010 (Ky. PSC Oct. 15, 2010).

2013. Enrollment to participate in R.C.L.M. will end on February 28, 2013.” Also refer to Tariff R.C.L.M. (Pilot Residential and Small Commercial Load Management), in Case No. 2010-00198,² dated October 27, 2010, Availability of Service, which states, “[t]his tariff will be in effect once the Company has successfully launched its Residential and Small Commercial Load Management Pilot program and will continue through December 31, 2012. Enrollment to participate in R.C.L.M. will end on December 31, 2012.” Explain why the tariff dated October 27, 2010 states enrollment to participate in R.C.L.M. will end on December 31, 2012 or last day of the year, and the proposed tariff states enrollment to participate in R.C.L.M. will end on February 28, 2013, not December 31.

c. Refer to the proposed Tariff R.C.L.M. (Pilot Residential and Small Commercial Load Management) Sheet 23-3. Should the (N) on the right-side of the page be there?

4. Refer to the Application Letter, pages 3 and 4, which states, “[t]he representatives of the BSADD and NKCA objected to the increased rates for residential customers required under the revised tariff, but otherwise supported the Company’s recommendations.” Pursuant to 278.285(1)(f):

The extent to which customer representatives and the Office of the Attorney General have been involved in developing the plan, including program design, cost recovery mechanisms, and financial incentives, and if involved, the amount of support for the plan by each participant, provided however, that unanimity among the participants developing the plan shall not be required for the commission to approve the plan.

² *Id.*

a. Explain whether the Kentucky Power Collaborative (Collaborative”) has adopted by-laws. If the Collaborative has by-laws, provide a copy with the explanation.

b. If the answer to a. is yes, explain whether the Collaborative’s by-laws require a unanimous or consensus vote.

c. If the Collaborative’s by-laws require a unanimous vote, explain whether the Collaborative is in violation of its own by-laws.

5. Refer to the Demand-Side Management (“DSM”) Collaborative Status Report (“Status Report”) of the Application, Section 1, page 1, under COMMENTS. Provide the location of Exhibit E in the Application.

6. Refer to the Status Report, page 8, under COMMENTS. It states, “[t]he participant and expense forecast for 2012 is 175 resistance heat replacement customers, 475 non-resistance heat replacement customers and \$292,500 respectively.” Also, refer to Exhibit C, page 18A-1, where Resistance Heat Replacements and Heat Pump Replacement are listed under High Efficiency Heat Pump. Confirm whether non-resistance heat replacement on page 8 of the Status Report is the same as Heat Pump Replacement on page 18A-1 of Exhibit C.

7. Refer to the Commercial Incentive Program (“CIP”) Evaluation of the Executive Summary, Section 2, page iv. It states, “[i]n 2011, eighteen (18) lighting projects were completed through the Commercial Incentive Program at a higher cost per participant than originally budgeted due to high fixed costs independent of program participation.”

a. Explain the types of high fixed costs.

- b. Confirm whether the program is cost-effective.
- c. Taking into consideration the high fixed costs, explain what level of

participation is needed for the program to be cost-effective.

8. Refer to the CIP Evaluation, Section 2, page iv. It states, "Applied Energy Group, Inc. ("AEG") recommends that KEMA increase the local staff by at least one employee. Four (4) KEMA staff members worked remotely from Michigan until the local representative was hired in September 2011." Explain whether one additional KEMA staff member would increase the current high fixed costs.

9. Refer to the CIP Evaluation, Section 2, page vii. It states, "[t]he program does not operate as designed." Identify what efforts Kentucky Power is currently undertaking to ensure internal controls are improved relative to evaluation, measurement, and verification of each DSM program in its portfolio.

10. Refer to the CIP Evaluation, Section 2, page viii. It states, "[i]n 2012, the Commercial Incentive Program will consist of three programs: Prescriptive and Custom Incentives (current program), Express Program, and the New Construction Program." Explain whether Kentucky Power is seeking Commission approval for the Express Program and the New Construction Program.

11. Refer to the CIP Evaluation, Section 2, page viii. It states, "[n]ew construction could also be available by auditing the design plans and identifying energy saving measures." In the Application of Case No. 2010-00198,³ within the DESCRIPTION of the proposed Commercial Incentive Program, it states, "[n]ew construction could also be available by auditing the design plans and identifying energy

³ Case No. 2010-00198 (Ky. PSC Oct. 15, 2010).

saving measures.” Explain whether new construction is currently part of the CIP and have there been any new construction participants since the program was approved.

12. Refer to the CIP Evaluation, Section 2, page viii. It states, “AEG recommends that KPCO consider increasing incentives to 60 to 70 percent of the installed equipment costs. Incentives are currently capped at 50 percent of the incremental material costs, the same as the current Commercial Incentive Program prescriptive and custom incentives.” If incentives were increased to 60 to 70 percent, from the current 50 percent, explain the impact the programs cost-effectiveness and the ability to encourage participation in the program.

13. Refer to the CIP Evaluation, Section 2, page 2, Table 1. Explain the increase in Contractor Administration and Evaluation from 2010 to 2012.

14. Refer to the CIP Evaluation, Section 2, page 23. It states, “Kentucky Power specific inputs, including avoided costs, discounts rates, participation and incentives, were used to conduct the cost-effectiveness analysis.” Explain whether Kentucky Power’s environmental costs were taken into consideration.

15. Refer to the CIP Evaluation, Section 2, page 27. It states, “[g]oing forward, it is vital that either participation goals be met or program administrative costs be reduced for the Commercial Incentive Program to reach acceptable cost-effectiveness levels.” Explain how this might be achieved.

16. Refer to the Residential and Small Commercial Heating Ventilation/Air Conditioning Diagnostic and Tune-Up Program (“HVAC Diagnostic and Tune-Up Program”) Evaluation of the Executive Summary, Section 3, page v. It states, “[t]he three most active HVAC dealers performed 69 percent of the diagnostic and tune-up

services.” Also, refer to page 15, Table 9, explain why one vendor received 445 of the 1,142 HVAC systems rebated.

17. Refer to the HVAC Diagnostic and Tune-Up Program Evaluation, Section 3, page vii. It states the following:

AEG recommends that Kentucky Power hire an implementation contractor to implement Kentucky Power’s residential and small commercial HVAC programs, including, but not limited to, the Residential and Small Commercial HVAC Diagnostic and Tune-Up Program, the Small Commercial Heat Pump/Air Conditioner Incentive Program, the Residential High Efficiency Heat Pump Program, Mobile Home High Efficiency Heat Pump, and Mobile Home New Construction.

a. Explain whether there has ever been an implementation contractor for the Residential High Efficiency Heat Pump Program, Mobile Home High Efficiency Heat Pump Program, and Mobile Home New Construction Program.

b. Explain why an implementation contract is needed now for programs that have been in place for many years and have already experienced participation.

18. Refer to the HVAC Diagnostic and Tune-Up Program Evaluation, Section 3, page vii. It states, “AEG recommends that Kentucky Power and the implementation contractor consider modifying the HVAC Diagnostic and Tune-up Programs: Reduce the participating HVAC dealer incentives to \$25 (from the current \$50 incentive); remove central air conditioner tune-ups from the program offering; and reduce the customer incentive to \$30 (from the current \$50 incentive).”

a. Explain whether Kentucky Power has surveyed or personally contacted HVAC contractors about reducing incentives to \$25 from \$50 and whether or not it would impact their willingness to participate in the program.

b. Explain whether Kentucky Power has surveyed or personally contacted residential and commercial customers who have participated in the program as to whether reducing the incentives to \$30 from \$50 would have influenced their decision to participate in the program.

19. Refer to the HVAC Diagnostic and Tune-Up Program Evaluation, Section 3, page viii. It states, “[n]ote that these modifications may not be necessary if there are program budgetary changes or changes to Kentucky Power’s avoided costs.” Explain what budgetary changes would be required.

20. Refer to the HVAC Diagnostic and Tune-Up Program Evaluation, Section 3, page viii. It states the following:

AEG recommends additional modifications to reduce free ridership: Modify customer eligibility. Customers are currently eligible for a rebate every 3 years, this should be extended to every 5 years to correspond with the measure life of the services; Require the customer to submit the rebate application. Other than receiving the diagnostic and tune-up service, the customer does not have to take any action to receive the incentive; and KPCO market directly to residential customers and encourage HVAC dealers to market to customers that do not consistently receive these tune-up services.

Kentucky Power has budgeted \$9,000 for promotion for 2010-2012.

a. Explain how the \$9,000 annual promotion budget has been used to promote this program.

b. Explain how Kentucky Power proposes to promote this program in the future.

21. Refer to the Residential and Small Commercial Load Management Pilot Program (“Load Management Pilot Program”) Evaluation of the Executive Summary, Section 4, page v. Explain whether there is an installation contractor in Kentucky Power’s southern territory.

22. Refer to the Load Management Pilot Program Evaluation, Section 4, page 33. It states, “[o]f the 55 customers that contacted Kentucky Power customer solution center, 67 percent did not sign the agreement to participate in the program. There was no follow-up to determine why these customers did not sign the agreement.” Explain whether Kentucky Power is contacting customers that do not participate in the program as to why.

23. Refer to the Residential Efficient Products Program Evaluation of the Executive Summary, Section 5, page vii. It states, “[t]he Field Representative should conduct more frequent in-store promotions for these retailers.” Explain whether independent retailers are being personally contacted by a field representative and whether Kentucky Power believes the benefit of more frequent in-store promotions would be cost effective.

24. Refer to the Residential Efficient Products Program Evaluation of the Executive Summary, Section 5, page viii. It states, “AEG recommends that the in-store instant coupons be modified to collect only the product information that Walmart/Lowe’s stores collect.” Explain whether in-store instant coupons are to be modified so as not to be a barrier to independent retailers.

25. Refer to the Residential Efficient Products Program Evaluation, Section 5, page 30. It states the following:

Remove incentives for LED holiday lights, LED nightlights and ENERGY STAR ceiling fans. Kentucky Power did not achieve any sales of LED nightlights, LED holiday lights and ENERGY STAR ceiling fans. Additionally, APT noted that the market for LED holiday lights and LED night lights has already transformed and purchases of ceiling fans are based on aesthetic preferences.

Explain whether Kentucky Power is considering removing LED holiday lights, LED nightlights, and ENERGY STAR ceiling fans from the program.

26. Refer to the Small Commercial Heat Pump/Air Conditioner (“HP/AC”) Incentive Program of the Executive Summary, Section 6, page iii. Identify when the impact evaluation will be completed to determine energy and demand savings for this program.

27. Refer to the Small Commercial HP/AC Incentive Program of the Executive Summary, Section 6, page vii. It states the following:

AEG recommends that Kentucky Power hire an implementation contractor to implement Kentucky Power’s residential and small commercial HVAC programs, including, but not limited to, the Residential and Small Commercial HVAC Diagnostic and Tune-Up Program, the Small Commercial Heat Pump/Air Conditioner Incentive Program, the Residential High Efficiency Heat Pump Program, Mobile Home High Efficiency Heat Pump, and Mobile Home New Construction.

Explain whether an implementation contractor would be cost effective.

28. Refer to the Small Commercial HP/AC Incentive Program Evaluation, Section 6, page vii. It states, “[d]ue to limited resources, Kentucky Power has not yet conducted an inspection to ensure services are being performed properly.”

a. Identify when Kentucky Power will conduct inspections to ensure services are properly performed.

b. Explain how Kentucky Power can verify demand and energy savings when such inspections have not been performed.

c. Identify any other of Kentucky Power's DSM programs where inspections are required to verify demand and energy savings but have not been completed.

29. Refer to the Small Commercial HP/AC Incentive Program Evaluation, Section 6, page 14, Table 10. Explain why one vendor received 13 of the 24 HVAC systems rebated.

30. Refer to the Small Commercial HP/AC Incentive Program Evaluation, Section 6, page 22. Identify where the definition of "EERb" is listed on page 23. Provide any necessary corrections.

31. Refer to the Small Commercial HP/AC Incentive Program Evaluation, Section 6, page 26. It states, "[t]he 2012 Kentucky Power Company capacity cost is \$6/kw-year, compared to a PJM average of over \$100/kw-year." Explain how Kentucky Power determined the capacity costs and provide the calculations used to arrive at those amounts.

32. Refer to the Small Commercial HP/AC Incentive Program Evaluation, Section 6, page 41, Appendix D.

a. Explain how the Participant Discount Rate was calculated.

b. Provide in electronic format with formulas unprotected, workpapers and any other information showing how the Participant Discount Rate was calculated.

c. Identify and explain any difference(s) in how the Participant Discount Rate was computed as compared to how Kentucky Power computed the discount rate (Cost of Capital) in its last rate case, Case No. 2009-00459.⁴

33. From the following table, explain the change in efficiency incentives from the previous DSM filing, by program.

PROGRAMS	Current 2012 Incentives per New Participant	Previous 2012 Incentives per New Participant ⁵	Difference
Targeted Energy Efficiency			
- All Electric	\$107.19	\$92.81	\$14.38
- Non-All Electric	(\$63.48)	\$92.81	(\$156.29)
High Efficiency Heat Pump			
- Resistance Heat Replacement	\$39.30	\$226.74	(\$187.44)
- Heat Pump Replacement	\$88.56	\$226.74	(\$138.18)
HVAC Diagnostic & Tune-Up			
- Air Conditioner	(\$5.36)	\$1.31	(\$6.67)
- Heat Pump	(\$0.78)	\$11.38	(\$12.16)
Commercial A/C & Heat Pump Program			
- Air Conditioner Replacement	(\$29.05)	\$0.93	(\$29.98)
- Heat Pump Replacement	(\$9.19)	\$58.10	(\$67.29)
HVAC Diagnostic & Tune-Up			
- Air Conditioner	(\$6.78)	\$7.24	(\$14.02)
- Heat Pump	(\$0.35)	\$29.56	(\$29.91)
Commercial Incentive	(\$242.10)	\$633.90	(\$876.00)

⁴ Case No. 2009-00459, Application of Kentucky Power Company for a General Adjustment of Electric Rates (Ky. PSC June 28, 2010).

⁵ Case No. 2012-00051, Joint Application Pursuant to 1994 House Bill No. 501 for the Approval of Kentucky Power Company Collaborative Demand-Side Management Programs and for Authority to Implement a Tariff to Recover Costs, Net Lost Revenues, and Receive Incentives Associated with the Implementation of Kentucky Power Company Collaborative Demand-Side Management Programs (Ky. PSC May 30, 2012).

34. Provide, in electronic format with formulas intact and cells unprotected, the kWh impacts by participant for each program.

35. Provide, in electronic format with formulas intact and cells unprotected, Exhibit C.



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cc: Parties of Record

Case No. 2012-00367

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